In his first year as the Junior Senator from Massachusetts, JOHN F. KENNEDY *in three incisive speeches hit hard at the unfair competitive practices that have led industry to migrate from New England to the South. He argued that substandard wages and tax subsidies are no foundation on which to build a stable economy, and then presented his program for a fairer competition — a program which he has graphically illustrated in the article which follows. Born in Brookline, educated at the London School of Economics and at Harvard, he made a heroic record as a PT boat commander in the war; then on his return to civilian life he was elected to the House of Representatives and served in the 80th, 81st, and 82nd Congresses. In 1952 he was elected to the Senate.*

NEW ENGLAND AND THE SOUTH

The Struggle for Industry

by JOHN F. KENNEDY

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NEARLY 14,000 employees working for the John Doe Company, a New England textile concern, lost their jobs in the period following World War II because of the liquidation of thirteen of their mills. During the same period, the same company opened a large number of new plants in the South. It had "migrated." Why? To what extent was it influenced by natural advantages, by unfair practices, or by the policies of the Federal government?

For one southern operation, the John Doe Company bought a surplus naval factory at a low price; and for another, it obtained an accelerated tax amortization certificate from the Federal government, authorizing it to depreciate its plant within five years rather than the normal period of twenty to twenty-five years. It also utilized a Federally tax-exempt charitable trust in order to avoid taxes on several of its new southern operations, and negotiated with three southern communities for the building and equipping of more new plants through the issuance of municipal revenue bonds that are exempt from Federal taxation.

Not a single one of the John Doe Company's southern plants has been organized by a labor union, although attempts at unionization have been made for more than ten years. Injunctions, employer propaganda, and procedural delays under the Taft-Hartley Act have prevented the union from keeping any foothold gained through representation elections. Partly as a result of these maneuvers, the wage scales at the southern plants are all considerably lower than the prevailing union wage scale in the liquidated New England mills. The Bureau of Labor Statistics states that 86 per cent of the woolen textile workers in the southeastern part of the United States operate under contracts calling for minimum entrance rates of $1.05 or less, whereas only 6 per cent of the New England workers have a minimum as low as this. At four plants in South Carolina and Georgia the John Doe Company obtained "learner permits" allowing it to pay many workers, over a period of time, less than the outmoded Federal minimum wage of 75 cents an hour.

The Board Chairman of John Doe testified before a Senate subcommittee comparing the cost of his southern and New England operations. Power cost per kilowatt-hour was 7.4 mills at his Alabama plant as compared with 17 mills at his Rhode Island plant. Transportation rates were one third lower for equal distances, unemployment compensation taxes were half as great, and employee pension and vacation plans in operation at northern plants were not customary in southern plants.

One may think that this hypothetical case — which is actually a combination of two true cases — is an extreme example. But it is by no means untypical in revealing the pattern of industrial migration from New England to the South. Since 1946, in Massachusetts alone, seventy textile mills have been liquidated, generally for migration or disposition of their assets to plants in the South or other sections of the country. Besides textiles, there have been moves in the machinery, hosiery, apparel, electrical, paper, chemical, and other important industries. Every month of the year some New England manufacturer is approached by public or private southern interests offering various induce-

ments for migration southward. Other manufacturers warn their employees that they must take pay cuts to meet southern competition or face plant liquidations.

In only a small number of cases does direct migration take place through closing New England plants and transferring their operations to southern plants. More often, firms start by operating mills in both New England and the South, then tend to abandon their northern plants in periods of decline and later expand their southern operations when prosperity returns.

Such a movement has been going on for more than twenty-five years in the cotton textile industry. In 1925 New England had 80 per cent of the industry; now it has 20 per cent. Former Governor of Georgia Ellis Arnall and other southerners have freely predicted that the South will also "capture" the woolen and worsted industry, two thirds of which is still in New England, and large segments of other manufacturing groups.

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WHY do industries move south, with all of the attendant consequences to their employees and community?

It would be unfair to imply that the South's natural advantages have not been responsible for a large share of this industrial migration. Perhaps most important of all, the South has a much larger supply of labor, primarily from the farms, to draw upon for industrial employment, thus enabling employers to select the youngest and most adaptable. Pure, fresh water; nearness to raw materials and production factors; greater space; a milder climate; and the hospitality shown new industries in new areas are also southern advantages which should not be denied. Nor should we seek to hamper the rapid efforts of the South to obtain some of New England's many and well-known advantages, in skilled labor, research, markets, and credit facilities.

Another major reason has been the influence of Federal programs. The best example of this is the cost of electric power. The man who wants to start a moderate-sized industry with a demand of 500 kilowatts and a monthly use of 100,000 kilowatthours would pay an annual electric bill in Boston of $26,800, but in Chattanooga only $11,000. New England, it should be noted, has not yet acquired for itself a single Federal hydroelectric project.

But the final reason for migration, with which I am particularly concerned, is the cost differential resulting from practices or conditions permitted or provided by Federal law which are unfair or substandard by any criterion. Massachusetts manufacturing industries in May of 1953 paid an average hourly wage of $1.64; but because the Federal minimum is only an outdated 75 cents an hour, many industries migrating to the rural communities of Mississippi pay workers only that less-than-subsistence wage, and those employees under "learners permits" even less. Practically all New England woolen textile mills pay a wage of at least $1.20 an hour; but because of the recent Fulbright Amendment to the Walsh-Healey Act, which has held up the establishment of this wage as the new Federal minimum for that industry, the New England mills must bid for government contracts against southern mills paying only $1.05 an hour. Labor organizations in highly unionized New England have achieved not only better wages but pension and fringe benefits as well. In the South, however, unionization of competing plants has been virtually halted since enactment of the Taft-Hartley Law.

Without adequate Federal standards for social security or unemployment compensation, many employers who move south support a level of benefits far below those paid by New England industry. Federal tax amortization benefits have not only been disproportionately granted to southern plants, but have also been granted to promote expansion in the South without regard to available facilities and manpower in New England. Federally regulated shipping rates by rail, truck, or sea discriminate unduly against New England and are a confused, shapeless mass of regulation. One of the most obviously unfair inducements offered to those considering migration is the tax-free plant built by a southern community with the proceeds of Federally tax-exempt municipal bonds.

It is therefore an unfortunate conclusion that the southward migration of industry from New England has too frequently taken place for causes other than normal competition and natural advantages.

This is particularly unfortunate when one realizes the effect of such industrial migrations upon the communities left behind. In Massachusetts alone, over 30,000 jobs have been lost in the textile industry since 1946. When the Kilburn Cotton Mill in New Bedford, Massachusetts, was partially liquidated and moved to North Carolina, 1000 workers lost their jobs. In Lawrence, particularly dependent upon the textile industry, post-war liquidations and migrations caused approximately one fifth of all workers to be without jobs continually from 1947 to early 1953 — the period of the greatest prosperity in American history. Nearly 5 million square feet of industrial plant stood idle. Over $11 million annually was paid out in unemployment insurance benefits which were exhausted by over 50 per cent of the thousands of unemployed. Today Lawrence and the other one-industry towns in New England have made a remarkable recovery, partly through improvement in the textile industry but also through the fullest utilization of Yankee initiative and natural advantages in developing new, more stable industries to replace the old.

But current threats of further migration, including the largest woolen manufacturer in the nation,

again endanger the improved employment status in these communities.

These labor surplus areas are just one effect which the years of industrial migration have had upon older manufacturing regions. Although the New England states are far from depressed or undeveloped, and their citizens still enjoy a standard of living and per capita income above that of the nation as a whole, the lack of sufficient *new industry* to replace the old plants lost to the South has retarded New England's economic growth. Its industrialization, manufacturing employment, and per capita income have not kept pace with increases in the rest of the country. The year 1952–1953 was one of New England's most prosperous years; yet the region lagged behind national increases in total income and manufacturing payrolls and suffered a serious loss of employment in nonelectrical machinery, textiles, apparel, leather products, and several other industries. In all too many cases migration southward was directly responsible for this job loss, even in the newer hard-goods industries such as electrical machinery. The losses which would be suffered in the event of a general recession or another textile crisis would be drastically more severe in New England than in any other area of the country.

In contrast, as pointed out by Oscar Handlin in the December issue of the *Atlantic*, the South is becoming industrialized at a pace we must all admire. In 1951 the South added, on the average, one multimillion-dollar plant a day. In that year capital investment in new southern plants reached $3 billion. Included among the new plants of the past few years are well over a hundred new woolen and worsted mills. During the past two decades, the South's multiple increases in the sale of goods manufactured, in value added by industry to raw materials received, in number of new independent businesses, in construction, in industrial employment, in total income payments, in total wages and salaries, in wage rates, and in per capita income payments have been many times as great as the rate of increase for the United States as a whole, for New England, or for any other region. The eleven southeastern states, for example, between 1929 and 1950 increased their per capita income 179 per cent. The gain for the nation as a whole was 111 per cent, for New England 85 per cent.

It would be wrong for New England to attempt to retard industrialization of the South. It is wrong to say, as did a Boston newspaper editorial, that the South is trying to "impoverish New England." Although New England is at a locational disadvantage in reaching the rapidly expanding markets of the southeast and the southwest, New England must sell to the South and the nation as a whole. New England thus benefits from this tremendous increase in southern and national purchasing power and prosperity. To the extent that locational advantages of southern industries offer real efficiency, New England consumers share the benefits of such efficiency with the entire nation.

New England knows it cannot shrink from competition with the South. The TVA is not "creeping socialism" because it attracts New England industry. It is a challenge to us to seek further utilization of our own natural resources. The modern plants and machines of the South, and the new and vigorous ideas of southern manufacturers, set a standard which New England industry should emulate, not try to destroy.

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However, I must reiterate that Federal policies have in many instances contributed to the unfair competitive practices or unfair inducements which have led to industrial migration. The answer lies neither in prohibiting Federal power and other programs aiding the South, nor, as some have maintained, in cutting wages or social benefits in New England or meeting subsidy with more subsidies; for in the end all of us are harmed and our problems still remain unsolved. Instead positive action is required. For this reason I presented to the Senate in May of 1953 a comprehensive program calling for Federal legislation aimed at the correction of these abuses.

I called for action to aid the expansion and diversification of industry in our older areas in order to replace the traditional industries lost through migration. Such aid would include providing loans and assistance to small business, retraining unemployed industrial workers, providing tax amortization benefits for industries expanding in areas of chronic unemployment, developing natural resources, and aiding local industrial development agencies. I further called for more adequate security for the jobless and aged who are the victims of industrial dislocation. But that is not enough. The minimum-wage, Walsh-Healey, Taft-Hartley, unemployment compensation, and social security laws must be improved to prevent the use of substandard wages, anti-union policies, and inadequate social benefits as lures to industrial migration. Tax loopholes must be closed, and equal consideration given to all areas in the administration of policies dealing with tax write-offs, transportation rates, and government contracts and projects; for these should not be factors inducing plant migration.

These are some of the policies within the jurisdiction of the Federal government affecting New England's economic status. At no time did I suggest in this program that a solution of New England's difficulties must be at the expense of the economic well-being of the South. I was anxious that the program be studied not as a political or regional issue, with heated arguments and oversimplified solutions, but rather as a program of mutual benefit for all,

based upon the interdependent economies of New England, the South, and the nation. It was not my intention to absolve New England from all responsibility for its economic ills, or to make the South a whipping boy in an appeal to the emotions of the man on the street. This is a problem upon which interregional coöperation, not political antagonisms, is needed.

Unfortunately, perhaps owing to incomplete reports in the public press, my position was not so understood by most southern newspapers. I was accused in editorials appearing all the way from Greenville, North Carolina, to San Antonio, Texas, of "blatantly asking for special and unusual consideration . . . attempting punitive legislation against the South . . . seeking Federal interference to help New England and hurt the South . . . and projecting on a legislative scale the North-South row at the 1952 Democratic National Convention."

Some of my colleagues in the United States Senate and House of Representatives also misunderstood my position. I did not, as Senator Maybank implied in his speech hailed by the southern press as an answer to "The Kennedy Program," seek "to transfer the faults and ailments which caused (New England's) hardships to other regions." Certainly I hope I was not one of those New England "spokesmen" who, Representative Chatham of North Carolina said, had "cried so pitifully over an empire which has lost its control over the rest of the country."

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I SINCERELY believe that any future economic revival in New England, and my proposals for fair competition under existing Federal statutes, will aid, not injure, the prosperity of the South. I say that for four reasons: —

First, so interdependent is the economy of the United States that any increase in tempo in New England will stimulate industry in the South. When New England prospers, as it has in recent months, the South and all sections of the country that depend upon New England for markets and sources of supply are also benefited. New England's role in our economic stability and, I might add, in our mobilization effort is fundamental. The progress that the South has made in the past two decades has had a measurable effect on the welfare of the people all over the country. It is, I am sure, of importance to the entire United States that the New England economy remain a strong and viable force in the economic life of the country.

Secondly, surplus labor areas, a declining textile industry, inadequate use of water resources, one-industry towns, the debilitating effects of long-term unemployment and economically insecure old age, all trouble to some degree certain areas and industries in the South as well as in New England. Some North Carolina communities, for instance, were hard hit when the hosiery industry moved to lower wage areas further south and in Puerto Rico. These are all problems that now exist in many parts of the country, and they will multiply as the economies of those regions mature.

It is imperative for the newer industrialized areas such as the Southeast to plan now for their "old age." When other areas, in Latin America and Asia, are industrially developed, the South will suffer the same pangs of aging now suffered by New England. This is particularly true because of the concentration of the southeast states upon the vulnerable American textile industry. In 1950 the three largest textile states of the South had 57 per cent, 67 per cent, and 39 per cent of their manufacturing employment in textiles. Already employment in these states has been affected by the impact of synthetic fibers, foreign competition, and migration on the cotton textile industry.

Third, the South is certain to seek Federal measures to alleviate these problems, just as it utilized Federal assistance in the days when Franklin Roosevelt called it "The Nation's Number One Problem Area." Thus it does not behoove some southern spokesmen now to attack programs channeling defense contracts to labor surplus areas, or seeking improvements in the Walsh-Healey Act, as "Federal interference with the forces of free competition." More than any other region the South has reason to recognize the tremendous role that the Federal government can play in developing the resources of an area. RFC loans, Federally constructed or financed power projects, soil conservation programs, farm price supports, grants-in-aid, construction projects, military installations, tax amortization certificates, and other policies and programs of the Federal government have been largely responsible for the remarkable improvement in the southern economy during the past twenty years. The southeastern states received in 1949 7.3 per cent of their income, gross wages, and salaries from the Federal government, as compared with 3.7 per cent for New England and 4.8 per cent for the United States as a whole. Four southern states, for example, received certificates of necessity for rapid tax amortization of industrial facilities worth five times the amount awarded the six New England states, although the latter's proportionate share of manufacturing industry was twice as great. In fiscal 1952, total Internal Revenue collections in Georgia netted the Federal government only a little more than one third of the amount collected from Massachusetts; but expenditures of the Federal government for grants-in-aid, wages and salaries, and rivers and harbors and flood-control projects in Georgia actually exceeded such Federal expenditures in the state of Massachusetts. Admittedly this is due in part to a consistent lag in the efforts of New England businessmen and officials to participate in such programs; but the fact remains that

the South has profited enormously and will in the future profit from Federal action in the economic sphere.

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LAST, but most important, I have stressed many times in my speeches the theme of fair competition; and fair competition is just as essential to the South and its industries as it is to any other section of the United States. I am certain that the use of unfair practices to encourage the abandonment of existing plants, employees, and communities in New England, with its consequent long-term unemployment and distress, is not a necessary part of the South's industrialization program. Its aim should rather be one of new industrial development. "Our industrial concept," stated Mississippi's Governor White, "is not of robbing Peter to pay Paul."

Robbing Peter to pay Paul, in my opinion, does those Southern communities which practice it more harm than good. Dr. Harriet Herring of North Carolina, in her book *Southern Industry and Regional Development*, pointed out that artificial or substandard inducements to migration bring weak industries, a hit-or-miss industrial development, and no diversification of industry.

Substandard wages and tax subsidies are no foundation upon which to build stable industry. As pointed out by the San Antonio *News*, "The South should not want any industrialization founded on the reactionary concept of cheap labor. It is not cheap in the long run for any of the parties concerned." The South's greatest industrial growth has occurred at the same time as a steady narrowing in the North-South wage differential; and southern factories producing automobiles, aircraft, oil, and other products pay the same wages as their northern plants or competitors. Several southern economists and study groups have concluded that the Federal minimum-wage law, introduced by Hugo Black of Alabama, has not harmed industrial development in the South but has on the whole been beneficial and needs revitalization. Wages, they point out, are not only costs but also aids to productivity and purchasing power. Companies that come south to exploit southern labor, with the aid of inadequate minimum-wage and public contracts laws, and free from unionization under Taft-Hartley, are merely holding back southern progress.

Southerners themselves are becoming aware of the vice of luring industry southward through such inducements as tax-free plants built with Federally tax-exempt municipal bonds. Virginia repealed its tax exemption law in 1946, on the ground that it meant unstable industry and an unstable tax base. Although Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Oklahoma, and Tennessee have statutes offering tax exemptions to new industries, Virginia, Texas, North Carolina, and Georgia do not. The Southeastern States Tax Officials Association has condemned the practice of tax-free municipal plants as "inequitable and unfair to industry in the State and detrimental to the taxpayers of the State because what is given away must be paid for by other businesses and individuals, ultimately, thereby creating an unhealthy social and economic condition."

Industries thus attracted are migrants, not new enterprises, with home offices outside the South. Once having accepted tax benefits and a few years of heavy profits, they may again move, leaving that community as well with empty buildings, stranded workers, and a heavy bond issue. As such use of public credit spreads, no community can be sure of the stability of the enterprises on which its citizens depend for their livelihood. In one southern town of only 10,000 people, municipal bonds for private industrial plants were proposed to the extent of $51 million, or an additional debt load of more than $5000 plus interest for every man, woman, and child in the town! What happens when their newfound benefactors leave for another bargain elsewhere?

The elimination of unfair competition of this character will benefit the South as it will benefit New England. The proposals I have made should not be regarded as posing an antagonistic issue between North and South. The issue that they do pose concerns the stability and integrity of our entire national economy. The competitive struggle for industry will and must go on, but it will be a fair struggle based on natural advantages and natural resources, not exploiting conditions and circumstances that tend to depress rather than elevate the economic welfare of the nation.

New England, without unthinking optimism, undue pessimism, or unfair recrimination, must meet the actual advantages of the South by developing its own human, material, and natural resources and, in that process, by utilizing the facilities of the Federal government wherever that is appropriate. It must also call upon the Congress to correct those abuses of Federal policies and competitive practices which have led to undesirable industrial dislocation.

The South, instead of fighting such a program, should welcome it for the stability that it promises and the safeguards that it assures to the South's new and proud industrialization. It is a common goal that lies ahead of us — the expansion and prosperity of every section of the nation, not the ephemeral aggrandizement of one at the expense of another through the exploitation of impermanent and ultimately self-destroying values. In checking such practices, the alliance of both South and North is needed if we would carry out our common pledge "to promote the general welfare, and secure the blessings of liberty to ourselves and our posterity."